

Message Text

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ACTION NEA-10

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R 210920Z JUL 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 0053

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, IN

SUBJECT: INDIAN FOODGRAIN SITUATION

BEGIN SUMMARY - IN SPITE OF THE STATIC LEVEL OF FOODGRAIN PRODUCTION DURING THE PAST TWO CROP YEARS, THE GOVERNMENT HAS BEEN ABLE TO SUSTAIN THE PUBLIC DISTRIBUTION SYSTEM BY LARGE-SCALE GRAIN IMPORTS (MOSTLY WHEAT), A REASONABLY FAVORABLE DOMESTIC PROCUREMENT PERFORMANCE DURING THE CURRENT MARKETING SEASON, AND THE VARIOUS ANTI-INFLATIONARY AND DEHOARDING MEASURES INITIATED DURING USFY 1975 WHICH WERE RECENTLY INTENSIFIED. PRICES OF ALL FOODGRAINS HAVE DECLINED SINCE EMERGENCY PROCLAMATION OF JUNE 26. THE INITIAL PERFORMANCE OF THE SOUTHWEST MONSOON IN BETTER THAN LAST YEAR THEREBY RAISING HOPES FOR A GOOD KHARIF CROP TO BE HARVESTED NEXT FALL AND WINTER AND AN INCREASE IN TOTAL FOODGRAIN PRODUCTION DURING 1975-76. END SUMMARY.

1. THE OVERALL FOOD SUPPLY/PRICE SITUATION IN THE COUNTRY IS PROVOKING FEW OVERT COMPLAINTS THESE DAYS ALTHOUGH PRODUCTION AND SUPPLY PROBLEMS PREVAIL IN SOME PARTS OF ORISSA, GUJARAT, TAMIL NADU AND MADHYA PRADESH, WHICH HAVE SUFFERED FROM SEVERE, AND IN SOME AREAS, PROLONGED DROUGHT FOR OVER A YEAR. ATTITUDES

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ARE GENERALLY CALM AS REFLECTED BY THE ABSENCE OF RIOTS,

DEMONSTRATIONS OR PROTESTS BY CONSUMERS OVER FOOD SUPPLIES AND/OR PRICES, SINCE THE EMERGENCY PROCLAMATION OF JUNE 26 ALL FOODGRAIN PRICES HAVE DECLINED BY VARYING AMOUNTS. ALTHOUGH THIS TREND MAY BE REVERSED OR AT LEAST HALTED BEFORE THE KHARIF CROP BEGINS TO COME INTO THE MARKET PLACE NEXT FALL.

2. THE CURRENT SITUATION IS ATTRIBUTED TO (I) THE RECORD RABI FOODGRAIN PRODUCTION IN 1975; (II) LARGE-SCALE IMPORTS OF FOOD-GRAINS; (III) THE GOVERNMENTS ANTI-INFLATIONARY AND DEHOARDING MEASURES TAKEN BOTH BEFORE AND SINCE THE DECLARATION OF THE NATIONAL EMERGENCY; AND (IV) THE INITIAL INDICATIONS OF A FAVORABLE SUMMER MONSOON WHICH BODES WELL FOR THE UPCOMING KHARIF CROP FOR WHICH PLANTING IS VIRTUALLY COMPLETED IN MOST OF THE COUNTRY.

3. BECAUSE OF THE POOR PERFORMANCES OF THE 1974 SUMMER AND FALL MONSOONS, INDIA'S TOTAL KHARIF FOODGRAIN PRODUCTION IN 1974-75 DECLINED SUBSTANTIALLY AS COMPARED TO 1973-74. TIMELY WINTER RAINS AND FAVORABLE TEMPERATURES INCREASED INDIA'S TOTAL RABI FOODGRAIN PRODUCTION TO A NEW RECORD IN 1974-75. IN PREVIOUS REPORTING, WE HAVE ESTIMATED THE TOTAL PRODUCTION OF FOODGRAINS IN 1974-75 AT AROUND 102.0 MILLION METRIC TONS. SOME GOI OFFICIALS HAVE RECENTLY PREDICTED A TOTAL OUTPUT OF 104-105 MILLION. THE NEXT ANNUAL GRAIN AND FEED REPORT DUE FAS/W AUGUST 15 WILL REFLECT ANY REASSESSMENT OF ESTIMATES BY THE AGRICULTURAL ATTACHE STAFF.

4. IN SPITE OF THE STATIC LEVEL OF DOMESTIC PRODUCTION, THE GOVERNMENT HAS BEEN ABLE TO SUSTAIN THE PUBLIC DISTRIBUTION SYSTEM BY LARGE-SCALE GRAIN IMPORTS, REASONABLY FAVORABLE DOMESTIC PROCUREMENT, AND THE VARIOUS ANTI-INFLATIONARY AND DEHOARDING MEASURES INITIATED DURING USFY 1975 AND RECENTLY INTENSIFIED.

5. FOODGRAIN IMPORTS INTO INDIA DURING USFY 1975 TOTALED 5.9 MILLION METRIC TONS, COMPARED TO 4.7 MILLION METRIC TONS IN USFY 75.

6. DOMESTIC PROCUREMENT OF KHARIF CEREALS DURING THE 1974-75 MARKETING SEASON THRU THE MIDDLE OF JUNE 1975 TOTALED 3,647,600 METRIC TONS (3,369,100 METRIC TONS OF RICE AND 278,500 LIMITED OFFICIAL USE

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METRIC TONS OF COARSE GRAINS), COMPARED TO 4,101,300 METRIC TONS (3,734,900 METRIC TONS OF RICE AND 366,400 METRIC TONS OF COARSE GRAINS) PROCURED DURING THE CORRESPONDING PERIOD OF THE 1973-74 MARKETING SEASON. CONSIDERING THE 1974-75 KHARIF CROP OUTPUT WAS AROUND TEN PERCENT BELOW THAT OF THE PRECEDING YEAR, THE PROCUREMENT ACCOMPLISHMENT IN BOTH YEARS WAS PROPORTIONATELY EQUITABLE. DOMESTIC PROCUREMENT OF WHEAT DURING THE CURRENT RABI MARKETING SEASON, 1975-76 NEAR THE END OF JUNE 1975 TOTALED

3,387,000 METRIC TONS, COMPARED TO 1,345,700 METRIC TONS AND 4,020,200 METRIC TONS PROCURED DURING THE CORRESPONDING PERIODS OF THE 1974-75 AND 1973-74 SEASONS, RESPECTIVELY. A CHANGE IN PROCUREMENT PROCEDURES AS PREVIOUSLY REPORTED, PLUS A NEAR RECORD WHEAT CROP THIS YEAR CONTRIBUTED TO THE IMPROVED PROCUREMENT RECORD.

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PASS AGRICULTURE

7. ISSUES OF FOODGRAINS FROM THE PUBLIC DISTRIBUTION SYSTEM DURING CY 1974 TOTALED 10,613,000 METRIC TONS, OR AN AVERAGE OF ALMOST 900,000 METRIC TONS A MONTH. ISSUES DURING JANUARY-JUNE 1975 AVERAGED 970,000 METRIC TONS A MONTH AND ARE EXPECTED TO REMAIN AT THAT LEVEL DURING THE NEXT FEW MONTHS.

8. GOVERNMENT STOCKS OF FOODGRAINS ON JANUARY 1, 1975 TOTALED 2,437,000 METRIC TONS. CONSIDERING THE LEVEL OF IMPORTS, DOMESTIC PROCUREMENT AND ISSUES FROM THE PUBLIC DISTRIBUTION SYSTEM OVER THE PAST SIX MONTHS, WE ESTIMATE THAT GOVERNMENT STOCKS OF FOODGRAINS ON JULY 1, 1975 APPROXIMATED 5.5 MILLION METRIC TONS, COMPARED TO ABOUT 4.0 MILLION METRIC TONS ON JULY 1, 1974.

9. THE OVERALL LEVEL OF FOODGRAIN PRICES SHOWED A SLIGHTLY RISING TREND DURING THE APRIL -JUNE 1975 QUARTER. THE ALL INDIA OFFICIAL INDEX NUMBER OF WHOLESALE PRICES OF ALL FOODGRAINS COMBINED

DURING JUNE 1975 AVERAGED 395.5. THIS WAS AN INCREASE OF 0.2 PER CENT OVER MAY AND 1.2 PERCENT OVER APRIL 1975. HOWEVER, THE JUNE FOODGRAIN PRICE INDEX WAS STILL ABOUT 10 PERCENT BELOW THE ALL TIME HIGH POINT REACHED IN THE THIRD WEEK OF SEPTEMBER 1974. AMONG THE INDIVIDUAL FOODGRAINS, PRICES OF RICE AND PULSES DURING THE FOURTH WEEK OF JUNE 1975 WERE HIGHER BY

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8.9 PERCENT AND 1.0 PERCENT RESPECTIVELY COMPARED TO EARLY APRIL 1975. PRICES OF WHEAT, HOWEVER, DECLINED BY 11 PERCENT DURING THE SAME TIME PERIOD, INFLUENCED BY A NEAR RECORD DOMESTIC WHEAT HARVEST AND A CONTINUING HIGH LEVEL OF WHEAT IMPORTS. AVAILABLE REPORTS INDICATE PRICES OF ALL FOODGRAINS HAVE DECLINED BY VARYING AMOUNTS IN MOST PARTS OF THE COUNTRY FOLLOWING THE PROCLAMATION OF EMERGENCY ON JUNE 26 AND THE SUBSEQUENT ANTI-INFLATIONARY AND DEHOARDING MEASURES TAKEN BY THE GOVERNMENT.

10. THE OVERALL PERFORMANCE OF THE SOUTHWEST MONSOON SO FAR CONTINUES TO BE BETTER THAN LAST YEAR. CUMULATIVE RAINFALL FOR THE PERIOD JUNE 1 - JULY 16, 1975, WAS NORMAL OR ABOVE NORMAL IN MOST PARTS OF INDIA. HOWEVER, IN ASSAM AND ADJOINING STATES IN THE EXTREME NORTHEAST, SOUTHERN WEST BENGAL, SOUTH BIHAR, ORISSA AND THE PLAINS OF WESTERN UTTAR PRADESH, IT WAS 21 TO 39 PERCENT BELOW NORMAL. THE VOLUME AND DISTRIBUTION OF PRECIPITATION HAS RAISED HOPES FOR A GOOD KHARIF SEASON, INCREASED WATER SUPPLY FOR POWER GENERATION, AND AN UPTURN IN TOTAL FOODGRAIN PRODUCTION DURING 1975-76. DURING THE PAST 3 - 4 WEEKS A NUMBER OF STATES HAVE RELAXED FOR TOTALLY REMOVED CURBS ON CONSUMPTION OF ELECTRIC POWER WHICH HAD BEEN IN FORCE FOR QUITE SOME TIME. THIS SHOULD INCREASE POWER SUPPLY TO TUBE-WELLS FOR IRRIGATION. THE FERTILIZER SUPPLY SITUATION IS ALSO MUCH BETTER AS COMPARED TO LAST YEAR AT THIS TIME. NEVERTHELESS, THE GRAIN IS STILL NOT IN THE BIN AND THE OUTCOME OF THE HARVEST DEPENDS HEAVILY ON THE MONSOON'S PERFORMANCE DURING THE REMAINDER OF THE SEASON.

11. THE GOI HAS FIXED A PRODUCTION TARGET OF 69.0 MILLION METRIC TONS FOR THE KHARIF FOODGRAINS AND 114.0 MILLION METRIC TONS OF TOTAL FOODGRAINS FOR 1975-76. WHILE THIS TARGET IS AN OVERLY AMBITIOUS ONE AT THIS STAGE AND IN CHARACTER WITH PREVIOUS OVERLY OPTIMISTIC PROJECTIONS BY GOVERNMENT OFFICIALS, TOTAL FOODGRAIN PRODUCTION IN 1975-76 COULD SHOW AN IMPROVEMENT. SUPPORTING THIS VIEW ARE CURRENT INDICATIONS OF A FAVORABLE MONSOON, LARGER AVAILABILITY OF FERTILIZERS AND HIGH YIELDING VARIETIES OF SEEDS, AN IMPROVED POWER SUPPLY SITUATION, AND INTENSIVE EFFORTS ON THE PART OF CENTRAL AND STATE OFFICIALS TO EXPAND PRODUCTION. TO ENCOURAGE FARMERS TO INCREASE APPLICATION OF FERTILIZERS, THE GOI REDUCED PRICES OF SOME FERTILIZERS BY

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BETWEEN 4.0 AND 7.5 PERCENT EFFECTIVE JULY 18.

12. IN SPITE OF THE CURRENT OPTIMISM GENERATED BY THE POSITIVE FACTORS DISCUSSED IN THIS CABLE, WE FEEL THAT IN ORDER TO MAINTAIN A REASONABLE LEVEL OF WORKING STOCKS OF FOODGRAINS TO SUSTAIN THE PUBLIC DISTRIBUTION SYSTEM AND TO AVOID ARECURRENCE OF AN INFLATIONARY FOOD PRICE TREND, THE GOI IS LIKELY TO IMPORT IN THE AREA OF 5.0 MILLION METRIC TONS OF FOODGRAINS DURING USFY 1976. THE RECENT UPTURN IN U.S. WHEAT PRICES PLUS HE FAVORABLE ONSET OF THE SUMMER MONSOON COULD VERY WELL BRING A HOLD ON BUYING ACTIVITY FOR THE TIME BEING BY THE GOI WHILE IT WAITS TO SEE WHAT HAPPENS A LITTLE FURTHER DOWN THE ROAD.
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